



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Pierce County Bancorp (holding company) and Pierce Commercial Bank (subsidiary bank)

Person to be contacted regarding this report:	Gary Gahan
CPP Funds Received:	\$6,800,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	1/23/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	2453114
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	34411
City:	Tacoma
State:	Washington

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Without the CPP capital, Pierce Commercial Bank would have been forced to sale or participate more loans than it otherwise did, or to further curtail renewals to existing customers.
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<input type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	
<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	During 2009 Pierce Commercial Bank increased reserves for loan losses by \$12,591,000. Without the CPP capital, those loan loss provisions would have reduced the bank's capital position to a critical level, and likely resulted in reduced lending and asset shrinkage well into the future.

<input checked="" type="checkbox"/>	Reduce borrowings	<p>\$2.0 million of the CPP capital was used to payoff debt at the holding company in January, 2009. Eliminating holding company debt facilitated the raising of \$2.5 million in new capital in March, 2010, which will enable the bank to become an active lender again.</p>
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

The CPP capital infusion allowed Pierce Commercial Bank to remain an active lender to our existing customer base. While we have not been able to increase our loan totals overall in 2009, the Bank has remained active in its community of Tacoma, WA, and in neighboring communities.

Lending by community bank's in Pierce and Thurston counties (the county adjacent to Pierce county to the south) has been adversely impacted by the recession to a significant degree, as two larger community-based banks in our area have already failed. Additionally, western Washington state has lost a total of seven community banks, and more bank failures are expected in western Washington. In this economic climate, individuals and small businesses need locally-based banks who are familiar with their communities. In the case of both bank failures closest in geographical proximity to Pierce Commercial Bank, the failed institutions were acquired by much larger out-of-state banks.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

None that have not already been described previously.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

None that have not already been described previously described.